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CENTRAL INTELLIGENCE AGENCY 25X1 REPORT

INFORMATION REPORT

COUNTRY Yugoslavia

SUBJECT Speech by Kardelj on the Failure of
the Five Year Plan

DATE DISTR. 27 July 1948

NO. OF PAGES 1 40547

PLACE
25X1 ACQUIRED

NO. OF ENCLS. 1
(LISTED BELOW)

25X1 DATE OF INFO:

SUPPLEMENT TO
REPORT NO.

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25X1 Attached for your retention is a document concerning a speech made by Kardelj
25X1 on the failure of the Five Year Plan.

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1. After the dismissal of Minister SUBBRANG, Minister KARDELJ gave a speech in parliament ~~Approved for Release 2006/03/03 : CIA-RDP83-00415R001100050015-7~~ and of the Yugoslav economy. A few days later, he went to Ljubljana where, in an exclusive Communist circle, he gave a talk in which he elaborated on his previous speech.

2. In propaganda the 5-Year Plan was always referred to as a success. However, the population was aware of the discrepancy between the claims made in the propaganda, and the actual situation. Responsible Communists were nevertheless obliged to present the facts as they really were. Minister KARDELJ made the following statements concerning the first year of the 5-Year Plan:

3. The aim of the 5-Year Plan is the complete and consequent introduction in Yugoslavia of a Communist economic and social system. (Note: This basic aim has never yet been so clearly and definitely stated. Up to this point, socialization has always been camouflaged, because of collaboration, illegal activity, subversiveness, espionage, etc. The basic aim of socialization has never yet been admitted.)

4. The first year of the Plan was a success in certain aspects, but no less a failure because of mistakes in its execution. The authorities, even though they made an effort (to make the plan work) never once made use of the possibilities which already existed in "old" Yugoslavia - not to mention the new possibilities and new conditions. Thus Yugoslavia, in the first year of the 5-Year Plan, did not even attain the production level reached before the war and before the revolution. (Note: The fact that a revolution has taken place has not yet been recognized by the Communists.) State and party leaders claim that everywhere there are tremendous and unexploited reserves of labor and technical forces, which, in spite of the shortages and the need everywhere, remain unused.

5. The causes for this are to be found in the fact that authoritative and responsible parties show absolutely no understanding and even less interest for the plan. I must state that these parties are purposely working against the plan and are rendering impossible its execution. If now and then someone is to be found who has good intentions, he is

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almost without exception working injudiciously and unintelligently.

6. Some branches of economy are so overburdened with orders that they are far from being in a position to fill them.

7. Up to the present it has not been noticed, or understood, especially among leading parties, that the object of the plan is actually to achieve what already could have been achieved in "old" Yugoslavia. That should set a minimum not a maximum standard for efforts and results.

8. Many economic leaders knew very well that production could have been much higher than the level set in the plan. However, they did not wish to extend the plan for manufacture.

9. In many instances plans were set up with the express purpose of keeping production low. This fact was particularly clearly established in the case of coal.

10. The number of machines has remained the same as in 1944. That means that no more machines were produced in the year when production was increased the most, than during the war under conditions of occupation and destruction.

11. In every field, organization and control of labor, the introduction of new working methods, new production systems and norms (with the least necessary workers), etc. have been bad, if not disastrous. During the whole year a shortage of workers has existed, especially of skilled workers. The skilled workers on hand have not been properly distributed. In some republics (Slovenia and Croatia) there has been a sufficient number of skilled workers, whereas in the others there have been none at all. The economic directors of individual republics have jealously guarded labor forces for themselves instead of sharing them where there was a shortage.

12. Workers and even union leaders have shown hatred for the plan and its demands. Skilled workers want to live only in cities, or where life has a certain order. Workers do not want to go to work on a project in some other location; they mutiny and use impertinent language. The workers receive bad treatment; in mines and on railroads, the work is continued without a day off on Sunday. This is such a usual occurrence that it does not even attract the notice of responsible officials. The same conditions exist in the construction industry. On the other hand, workers take too much unauthorized time off, and they change their jobs too often, particularly because they have no real homes, and because working conditions are so bad.

13. This situation accounts for the fact that products are badly made - and are sometimes unusable. Up to 40% must be thrown away.

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14. Raw materials, power, and fuel for heating are not used sparingly. The manner in which they are consumed causes a loss of many millions to the State. The stock of supplies in a factory is seldom known. Naturally, then, the use of raw materials, material, and machine tools, can hardly be regulated.

15. It has not occurred to anyone to attempt to lower the cost of reconstruction. The only concern is to produce as much as possible. Whether products are usable or not is a secondary matter.

16. There is the greatest chaos in commercial affairs (Handel), which are virtually in the hands of the government. After the proclamation of the 5-Year Plan, conditions deteriorated. Business suffered a more serious set-back than other branches of economy. Irresponsible conduct and leadership caused great disorder and difficulty in the distribution of goods. Even when sufficient goods were on hand, a certain portion remained undistributed by the State for quite a while. State-controlled concerns and stores have no bookkeeping system. For this reason corruption and swindling is possible. Government commercial activity is handled by a host of racketeers and speculators. State employees misuse their position and state funds for illegal trade and black market.

17. Agriculture too is far behind other branches of economy. Persons in leading positions regard the socialization of agriculture as unimportant, and think that collectivizing by means of associations (Genossenschaften) can operate only with improved technical methods (tractors, etc.). These persons are not conscious of the fact that socialization of agriculture represents the most important prerequisite for the continuation of the new economic order and for the success of the 5-Year Plan, and that opposition to the new economic order and the 5-Year Plan is strongest among the peasants. Anyone with the idea that socialization of agriculture will come about quietly and gradually is very much mistaken. For this reason Communist neglect of this branch of economy is more harmful than disorder elsewhere. In this connection, the State has not fulfilled its function. Up to now, general, and still less detailed plans have not been made, by which the socialistic reconstruction of Yugoslav agriculture could be carried out. The requirements of the 5-Year Plan have never once been fulfilled on any of the countless state-owned estates. State-owned properties have become refuges for the enemies of the people's administration (Volksmacht) and for ordinary criminals. Bad organization and deficiencies in every respect are fully as harmful in this branch of economy. Agricultural programs are set up in the government offices without consulting the peasants. The same is true in establishing tax rates. There is universal lack of interest and solidity, and the people's savings are being ruthlessly consumed. The organization of the People's Committees, which are very important in agriculture, has deteriorated considerably in the first year of the 5-Year Plan. These committees only perform officials duties, instead of

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helping the State in its effort to develop socialism.

18. Finance. The damage caused by the new economic order is based on finance. Mistrust in financial stability and potentialities is mainly responsible for the disorder and failure in financial and money transactions. Not even financial leaders have any faith in the stability of the currency and in the genuineness and correctness of the State budget. Taxes are reckoned disproportionately high, without considering the needs and possibilities of the individual regions. In carrying out the 5-Year Plan, concerns are recklessly using gold reserves which are earmarked for cases of extreme necessity. In setting up the budget for the 5-Year Plan, directors of industries in the financial plan have recorded fictitious losses, in order to be certain of showing a profit at the end of the year. Simultaneously there has been opportunity for all kinds of crimes, especially robbery. Deficiencies in the financial economy are so great that it is impossible to start a detailed critique. The complete confusion in the government and the lack of judgement in the highest positions in the economic directorate are mainly responsible for all the irregularities and chaos in the first year of the 5-Year Plan. A whole group of state organizations are charged with the execution of the 5-Year Plan. There is no one central office which could at least supervise the work - if it were not able to take over the responsibility of seeing that the plans were executed. The central direction in Belgrad is no better than in the individual republics.

19. The government has to cope with tremendous difficulties in carrying out the 5-Year Plan: with the consequences of the war; with the reinforced resistance of capitalistic elements; with pressure of imperialist powers from outside; with insufficient stocks for feeding and caring for workers and the general population; with great set-backs from the agricultural sector; with lack of raw materials; with shortages of power and labor, lack of capable leadership, and last but not least with instability and lack of faith, not only among the ranks of the Popular Front, but also among the ranks of the Communist party.

20. These remarks of Minister KARDELJ were made in an exclusive circle of the Communist party in the first half of May 1948. The speech is so openly critical that it can hardly be regarded as camouflage.

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